



Prime Minister

See my comment
at end of this
minute.

Ref. A01625

PRIME MINISTER

Organisation of the Electricity Supply Industry in England and Wales

12
1973

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The Secretary of State for Energy has minuted you on the problems of restructuring the electricity supply industry in England and Wales. He seeks agreement to announce that the Government has decided not to go for early legislation but to try to make improvements within the existing framework.

2. In practical terms, Mr. Howell is surely right. There is no prospect of legislation this Session, and legislation on this subject is unlikely to rate high priority at any time in the lifetime of this Parliament. There is, therefore, little option but to soldier on without any change in legislation.

3. The difficulties are twofold. The first is the overwhelming power and impenetrability of the CEBG. Sir Francis Tombs of the Electricity Council must feel this more than anybody. He took the job (coming from the South of Scotland Electricity Board) on the assumption that he would be given greater powers, and he has been waiting quite a long time for this to happen. Achieving reform within the present statutory position will, as Mr. Howell recognises, mean a greater involvement by Government if movement is to be achieved. Increased Government interference is seldom desirable, but there has always been a strong case for interference to try to improve efficiency in a monopoly, and most industrialised countries keep their public utilities on a tight rein.

4. The second difficulty is that the industry has been in a state of considerable uncertainty for some time, and there is a case for lifting the threat of reorganisation off its neck for a while at least. But the CEBG might then settle happily behind its defences, believing that the threat of radical reorganisation had effectively disappeared.

5. Mr. Howell's approach in his draft statement is to remove the threat of legislation for the foreseeable future (paragraph 4 - "I have now concluded that improved working arrangements of the kind I wished to see can be developed within the existing statutory framework"; and paragraph 9 - "I believe however



that all concerned will now work together to make improvements within the industry's existing statutory framework, and that the end of a lengthy period of uncertainty will be generally welcome". The difference between taking this line and saying that the industry is "on probation" to achieve effective reform is finely balanced. But I would recommend that you endorse Mr. Howell's approach for public consumption, while suggesting to him that he makes it plain to the industry, and especially the CEGB, that it is "on probation" and that the Government will review the case for legislation after a decent interval in the light of experience.

But see below
P.

6. Sir Kenneth Berrill agrees.

REA

ROBERT ARMSTRONG

7th March, 1980

Amidst

Sir Keith Joseph has now minuted (see Flag B) but the proposed announcement should be postponed until the option of "privatising" the electricity industry has been looked at.

A month's delay won't matter, and therefore I think you should agree with Sir Keith but he and Mr Howell should quickly consider the 'privatisation' option. (You have often said that this would produce a more efficient industry).

The Chief Secretary's note at Flag C P2 need not stand in the way of this quick appraisal.

6/3

✓
Agreed



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Nat Ind

Qa 04963

To: MR LANKESTER
From: SIR KENNETH BERRILL

W
W3

Organisation of the Electricity Supply
Industry in England and Wales

1. I believe David Wright has sent you the CPRS views on Mr Howell's judgement that the electricity supply industry had best be relieved of the threat of re-organisation through legislation and be pressured by his Department to achieve the necessary reforms within the existing legislative structure.

2. I have since heard that Sir Keith Joseph will be minuting the Prime Minister asking that this decision and the public announcement be postponed. Sir Keith's point is that he is currently studying the possibility of putting the lucrative telecommunications side of the Post Office into a private sector company and selling the majority of the shares to the public. Sir Keith believes that we should take time to study the case for doing the same operation to the UK electricity supply industry. The UK would then be similar to the United States in having its electricity and its telephones supplied by ^{private} public sector companies. In the case of monopolies such as this careful monitoring is needed on efficiency and charging practices - but the Americans achieve this reasonably well.

3. I confess that I had not adequately considered the case for 'privatising' the UK electricity supply industry and I think that Sir Keith is right - we should take time to consider it. Certainly, if the Government decides to 'privatise' telecommunications they will be asked to explain their different policies for the two utilities.

4. Mr Howell's minute to the Prime Minister gives no strong reason why he needs to make an announcement immediately. We understand, however, that he did make a public statement that he would not let "the grass grow under his feet on this issue as had his predecessor" and that he is committed to making a statement 'around Easter time'. This suggests that there is 3/4 weeks for this subject to be studied before he needs to make an announcement. I think the Prime Minister should agree with Sir Keith that the possibility of 'privatising' electricity



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be reported on by Mr Howell in collaboration with Sir Keith Joseph so that a comparison with the telecommunications case can be made.

5. I am sending a copy of this minute to David Wright.

KB.

7 March 1980